

Message Text

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ACTION EB-08

INFO OCT-01 ARA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
DODE-00 DOE-15 H-01 INR-10 INT-05 L-03 NSAE-00
NSC-05 OMB-01 PM-05 USIA-06 OES-07 SP-02 SS-15
STR-07 TRSE-00 ACDA-12 /121 W
-----053779 311019Z /13

R 301707Z MAR 78
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 7760
AMEMBASSY MANAGUA
INFO USDOC WASHDC

C O N F I D E N T I A L QUITO 2014

E.O. 11652: GDS
TAGS: BENC, BEXP, ENRG, NI, EC
SUBJECT: GEOTHERMAL ELECTRICITY GENERATION PROJECT IN ECUADOR

1. BEGIN LOU. CALIFORNIA ENERGY CORPORATION (CEC) OF SANTA ROSA, CALIFORNIA, IS APPARENTLY ON THE VERGE OF INITIATING A MAJOR GEOTHERMAL ELECTRICITY GENERATION PROJECT IN ECUADOR. CEC PRESIDENT CHARLES CONDY INFORMED EMBOFFS THAT CEC HAS RECEIVED APPROVAL FOR THE PROJECT FROM THE MINISTRY OF NATURAL RESOURCES, AND THE SOLE REMAINING STEP PRIOR TO INITIATING THE PROJECT IS A DECREE FROM THE GOE SUPREME COUNCIL.

2. CEC ENVISAGES A TOTAL PROJECT COST, INCLUDING ACQUISITION OF GENERATING EQUIPMENT, OF \$283 MILLION. ACCORDING TO CONDY, LOEB RHOADES IS PREPARED TO LEND THE ENTIRE AMOUNT. THE GOE WILL ASSUME ALL REPAYMENT RESPONSIBILITY FOR THE LOAN, WITH CEC'S ROLE LIMITED TO THAT OF DEVELOPER OF THE PROJECT. CEC WILL HAVE LITTLE FIXED INVESTMENT, AND WILL RECEIVE A GUARANTEED PAYMENT FROM THE GOE. CEC DOES NOT HAVE ANY CURRENT INTEREST IN DEVELOPING OTHER ENERGY SOURCES OR MINERAL DEPOSITS IN ECUADOR.

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3. WHEN FINAL APPROVAL FOR THE PROJECT IS RECEIVED, CEC WILL BEGIN A \$15 MILLION EXPLORATION PROGRAM OVER THE NEXT YEAR, WITH APPROXIMATELY 12 SITE DRILLINGS PLANNED. THE PROJECTED SITES INCLUDE AREAS NEAR QUITO, CUENCA, AND THE COLOMBIAN FRONTIER. THE BALANCE OF THE FINANCING WILL BE CONTRACTED AS THE PROJECT DEVELOPS, PROBABLY

UNTIL 1985.

4. THE INITIATION OF THE FIRST GENERATING PLANT OF ABOUT 100 MEGAWATTS (MW) IS PLANNED FOR 1982, WITH THREE OTHER PLANTS OF 100 MW EACH SCHEDULED TO START UP BY 1985, FOR A TOTAL GENERATING CAPACITY OF 400 MW. INECEL (THE ECUADOREAN ELECTRIFICATION INSTITUTE) WILL NOT PLAY A ROLE IN THE PROJECT OTHER THAN ESTABLISHING THE DISTRIBUTION NETWORK AND ASSUMING OPERATING RESPONSIBILITY ONCE THE PROJECT IS COMPLETED BY CEC. THE ELECTRICITY GENERATED WILL BE APPROPRIATE FOR BASE LOAD OPERATION. ANY DEVELOPMENT BEYOND 400 MW ON THE PART OF CEC WOULD REQUIRE FURTHER NEGOTIATIONS WITH THE GOE, BUT CURRENTLY CEC IS NOT PUSHING FURTHER EXPANSION.

5. CEC ESTIMATES THAT EVERY 100 MW OF ELECTRICITY GENERATED BY GEOTHERMAL ENERGY WOULD SAME \$22 MILLION PER YEAR IN FUEL COSTS. CONDY EXPECTS THE GOE TO PUBLICLY PLAY UP THE IMPORTANCE OF THE PROJECT FOR THIS AND OTHER REASONS.

6. AS PUBLIC LITERATURE STATES THAT THE CURRENT WORLD GEOTHERMAL ELECTRICITY GENERATING CAPACITY IS ABOUT 2,000 MW, THE CEC PROJECT COULD MAKE ECUADOR A MAJOR GEOTHERMAL ENERGY COUNTRY. END LOU.

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7. BEGIN CONFIDENTIAL. CEC IS ALSO DEVELOPING A 100-120 MW GEOTHERMAL PROJECT IN NICARAGUA, AND THE EMBASSY RECEIVED ON A CONFIDENTIAL BASIS A LETTER FROM NICARAGUAN PRESIDENT ANASTASIO SOMOZA TO SUPREME COUNCIL PRESIDENT ADMIRAL POVEDA THAT CONDY USED TO ENHANCE CEC'S PROSPECTS HERE. THE EMBASSY UNDERSTANDS THAT CEC AND PRESIDENT SOMOZA FORMED A MIXED COMPANY IN NICARAGUA WHICH HAS BEEN SUBJECTED TO SOME CRITICISM THERE AND THAT SOMOZA MAY PRESENTLY HAVE EQUITY IN CEC. THE EMBASSY WOULD APPRECIATE BEING POUCHED COPIES OF ANY PERTINENT REPORTS OR MEMORANDA THAT EMBASSY MANAGUA HAS ON THIS SUBJECT. END CONFIDENTIAL.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
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Current Classification: UNCLASSIFIED
Concepts: GEOTHERMAL ENERGY, DEVELOPMENT PROGRAMS
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Copy: SINGLE
Draft Date: 30 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Drafter: n/a
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Executive Order: GS
Errors: N/A
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